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PAGE 01 LONDON 15149 01 OF 02 011700Z

46

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

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CEA-01 L-03 H-02 PM-04 DODE-00 PA-01 PRS-01 /091 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5229

INFO AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: OINT, PGOV, UK

SUBJECT: LABOR PARTY CONFERENCE: SECOND DAY ROUND UP

SUMMARY - SECOND DAY OF LABOR PARTY CONFERENCE FEATURED
MAJOR SPEECH BY PRIME MINISTER HAROLD WILSON IN WHICH HE
DEFENDED GOVERNMENT'S PERFORMANCE, OUTLINED FUTURE DIREC-
TIONS, ATTACKED THE TORIES AND, IN ARTFULLY SHAPED PLEA
FOR INCREASED GRASSROOT PARTICIOATION, MADE STRONG PITCH
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PAGE 02 LONDON 15149 01 OF 02 011700Z

FOR MODERATION AND TOLERANCE WITHIN PARTY. HE RECEIVED

STANDING OVATION, BUT HARD CORE LEFT-WINGERS REACTED NEGATIVELY. OTHER DEVELOPMENTS INCLUDED NEC ELECTIONS (SEOTEL) AND CONFERENCE DEBATE OF RESOLUTIONS ON ECONOMY AND TAXATION. CHANCELLOR HEALEY, SPEAKING FOR NEC, MADE GRACEFUL, REALISTIC ADVOCACY OF NEC RECOMMENDATIONS AND RECEIVED STANDING OVATION DEPITE HIS DEFEAT IN NEC ELECTIONS. END SUMMARY.

1. PRIME MINISTER WILSON ADDRESSED CONFERENCE SEPTEMBER 30, DELIVERING PARLIAMENTARY PARTY'S REPORT. HE STRESSED GOVERNMENT ACCOMPLISHMENTS, CHIDING CRITICS AND ASSERTING THAT "NO PREVIOUS PRIME MINISTER HAS BEEN ABLE TO PRESENT A RECORD OF GOVERNMENT WHICH HAS CARRIED THROUGH SO MUCH OF ITS MANIFESTO, BY LEGISLATIVE AND EXEUTIVE ACTION, IN SO SHORT A TIME." LOOKING TO THE NEXT PARLIAMENT, HE PROMISED. INTER ALIA, NATIONALIZATION OF AIRCRAFT AND SHIPBUILDING INDUSTRIES; DEVOLUTION LEGISLATION; EDUCATIONAL REFORM; DEVELOPMENT LAND TAX; LIBERALIZATION OF OFFICIAL SECRETS ACT; RACE RELATIONS MEASURES; PUBLIC OWNERSHIP OF PORTS; A WEALTH TAX; AND LEGISLATION ON INDUSTRIAL DEMOCRACY. TURNING TO FOREIGN AFFAIRS, WILSON CLAIMED THAT RELATIONS WITH THE U.S., THE USSR AND EASTERN EUROPE, THE COMMONWEALTH AND EUROPE WERE ALL BETTER THAN EVER BEFORE, AND THEN CHALLENGED ANYONE TO DISPUTE THIS ASSERTION. HE ALSO RECAPPED WITH PRIDE GOVERNMENT'S ACHIEVEMENTS IN INTERNATIONAL ECONOMIC FIELD -- E.G., LOME CONVENTITN AND JAMAICA COMMONWEALTH CONFERENCE PROPOSALS. AS FOR DOMESTIC ECONOMY' HE REAFFIRMED THAT INFLATION AND UNEMPLOYMENT ARE GREATEST DANGERS FACING UK AND PRAISED TUC/GOVERNMENT COOPERATION WHICH HE PLEDGED TO CONTINUE.

2. "REFLATION." WILSON SAID, "CANNOT START BEFORE INFLATION STOPS," AND THEN HE PROMISED FURTHER MEASURES TO DEAL WITH THREAT OF RISING UNEMPLOYMENT. MOVING TO THE OPPOSITION, WILSON SCORED CONSERVATIVE LEADERSHIP, WHICH HE CHARACTERIZED AS "ANONYMOUS CHARACTERS" AND "OCCASIONAL RETREADS" WHO CANNOT "PUT FORWARD ALTERNATIVE ECONOMIC, SOCIAL OR, FOR THAT MATTER, FOREIGN POLICY." HE ALSO QUOTED DISRAELI TO GREAT EFFECT IN RIDICULING TORY CALLS LIMITED OFFICIAL USE

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PAGE 03 LONDON 15149 01 OF 02 011700Z

FOR DEEP CUTS IN GOVERNMENT SPENDING. LAST HE DEALT WITH THE PARTY, PREACHING MODERATION -- "WHAT IS APPALLING IS THAT SO MANY OF OUR CONSTITUENCY PARTIES,PARTICULARLY IN SAFE SEATS, ARE SO SMALL IN NUMBER AND IN SOME CASES UNREPRESENTATIVE...THE RESULT CAN TOO EASILY BE GROUPS OF LITTLE EXCLUSIVITIES INSISTING ON MONOPOLY OF DOCTRINE, THRIVING ON NOISY DEBATE AND ESOTERIC THEORY"-- AND OB- LIQUELY ATTACKED BOTH THE PARTY ORGANIZATION IN REG

PRENTICE'S CONSTITUENCY ("SELF-APPOINTED SAMURAI") AND THE RIGHT-WING SOCIAL DEMOCRATIC ALLIANCE. THE SOLUTION, HE ASSERTED, LIES IN A BROADLY-BASED, POLITICALLY TOLERANT ORGANIZATION WHICH STIMULATES IDEAS. WILSON RECEIVED A STANDING OVATION.

3. CONFERENCE THEN DEBATED FOUR RESOLUTIONS CONCERNING ECONOMY AND TAX POLICY. STRONG, ANTI-GOVERNMENT RESOLUTION CALLING FOR RESTORATION OF ALL EXPENDITURE CUTS OTHER THAN DEFENSE, "SOCIALIST MEASURES IN LIEU OF ORTHODOX TREASURY AND CAPITALIST SOLUTIONS" AND NATIONALIZATION OF THE "COMMANDING HEIGHTS OF INDUSTRY. MAJOR MONOPOLIES, BANKS AND INSURANCE COMPANIES" WAS REJECTED OVERWHELMINGLY, PURSUANT TO NEC ADVICE, AFTER HEATED DEBATE.

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PAGE 01 LONDON 15149 02 OF 02 011642Z

46

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 15149

CONFERENCE NEXT APPROVED SHORT RESOLUTION CALLING ON "WHOLE OF LABOR MOVEMENT TO SUPPORT THE GOVERNMENT IN ITS FIGHT AGAINST INFLATION" AND, APPARENTLY TO APPEASE DISSENTS, A SECOND RESOLUTION WHICH WAS MILDLY CRITICAL OF GOVERNMENT POLICIES. RECOMMENDATIONS OF NEC WERE FOLLOWED IN BOTH CASES. FOURTH RESOLUTION CALLING FOR SEVERAL CHANGES IN TAX STRUCTURE WAS OVERWHELMINGLY DEFEATED AFTER SUPPORTERS REFUSED TO ACCEPT NEC RECOMMENDATION TO REMIT.

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PAGE 02 LONDON 15149 02 OF 02 011642Z

4. CHANCELLOR DENIS HEALEY, WHO ONLY SHORTLY BEFORE HAD BEEN DEFEATED IN BID FOR RE-ELECTION TO NEC(SEPTEL) SPOKE FOR NEC ON ABOVE RESOLUTIONS. HIS STATEMENT GRACEFULLY ACKNOWLEDGED DEFEAT, SKILLFULLY OUTLINED ECONOMIC REALITIES WHICH HAD DICTATED GOVERNMENT'S CURRENT ECONOMIC POLICIES AND EFFECTIVELY REFUTED ARGUMENTS ADVANCED IN SUPPORT OF OFFENDING RESOLUTIONS. HE TOO WAS REWARDED WITH STANDING OVATION FROM CONFERENCE, THOUGH A FEW DELEGATES REMAINED GLUED TO THEIR SEATS THROUGHOUT.

5. WHILE BULK OF DELEGATES SEEMED TO APPROVE OF WILSON'S SPEECH IT PROVOKED SHARP REACTION FROM SOME LEFT-WINGERS. ONE BACKBENCH TRIBUNITE, IN CONVERSATION WITH EMBOFF IMMEDIATELY FOLLOWING SPEECH, CHARACTERIZED IT AS "PURE BULL (EXPLETIVE DELETED)." THIS VIEW WAS ARTICULATED WITH GREATER PRECISION IN UNUSUAL STATEMENT ISSUED BY NINE OF TWENTY-NINE NEC MEMBERS AFTERNOON OF SEPTEMBER 30 WHICH STRONGLY DISAGREED WITH PARTS OF HAROLD WILSON'S SPEECH: (I.E., HIS CALL FOR MODERATION AND TOLERANCE WITHIN PARTY), ASSERTING THAT IT "PANDERED TO TORIES AND THEIR NEWSPAPERS." NO MEMBERS OF GOVERNMENT ON NEC SIGNED THIS STATEMENT, BUT SIGNATORIES INCLUDED ERIC HEFFER, IAN MIKARDO, FRANK ALLAUN AND ALEC KITSON.

6. COMMENT: WILSON WAS INITIALLY SPEAKING TO A SKEPTICAL, THOUGH NOT OPENLY HOSTILE AUDIENCE, AND EARLY ON HAD TO CONTEND WITH SOME HECKLERS. THE CLARITY AND FORCE OF HIS ARGUMENT, HIS GOOD NATURED ATTACK ON THE TORIES AND HIS ADROIT PLEA FOR TOLERANCE AND MODERATION SEEMED TO STRIKE A RESPONSIVE CHORD WITH MOST OF THE DELEGATES. IT WAS A HIGHLY POLISHED AND EFFECTIVE PERFORMANCE, AS

WAS HEALEY'S. THE NEGATIVE RESPONSE FROM THE LEFT-WING WAS PREDICTABLE, THOUGH THE AGGRESSIVENESS OF THE NEC DISSIDENTS' STATEMENT WAS SURPRISING. THAT STATEMENT, HOWEVER, FAIRLY REFLECTS THE STATE OF RELATIONS BETWEEN WILSON AND LEFT-WINGERS ON THE NEC AND IN THE OARTY AT LARGE. IT MEANS FURTHER ESTRANGEMENT BETWEEN THE GOVERNMENT AND THE NEC IN THE MONTHS TO COME.

7. CONFERENCE DECISIONS ON ECONOMY AND TAXATION RESO-
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PAGE 03 LONDON 15149 02 OF 02 011642Z

LUTIONS, AS WE EARLIER SUGGESTED, SEEM TO INDICATE THAT THE DIE WAS CAST WITH THE OUTCOME OF THE FIRST DAY'S DEBATE, AT LEAST AS FAR AS ECONOMIC ISSUES ARE CONCERNED.

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